

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Tony Hammond, Vice Chairman;  
Mark Acton; and  
Nanci E. Langley

Periodic Reporting  
(Proposal Six)

Docket No. RM2018-9

NOTICE OF PROPOSED RULEMAKING ON ANALYTICAL PRINCIPLES  
USED IN PERIODIC REPORTING (PROPOSAL SIX)

(Issued July 2, 2018)

I. INTRODUCTION

On June 26, 2018, the Postal Service filed a petition pursuant to 39 CFR 3050.11, requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.<sup>1</sup> The Petition identifies the proposed analytical changes filed in this docket as Proposal Six.

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<sup>1</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), June 26, 2018 (Petition). The Postal Service filed a non-public library reference with Proposal Six. Library Reference USPS-RM2018-9/NP1, Nonpublic Material Relating to Proposal Six, June 26, 2018; Notice of Filing of USPS-RM2018-9/NP1 and Application for Nonpublic Treatment, June 26, 2018.

## II. PROPOSAL SIX

*Background.* The Postal Service indicates that Proposal Six addresses two issues regarding the treatment of international indemnity payments. Petition, Proposal Six at 1. First, the Postal Service states this proposal “addresses the issue of assigning claims for Priority Mail International (PMI) service to Outbound International Insurance, rather than to the PMI product.”<sup>2</sup>

Second, the Postal Service states that Proposal Six responds to a directive in the FY 2017 Annual Compliance Determination report (ACD). *Id.* In the FY 2017 ACD, the Commission directed the Postal Service to file a report on its “evaluation of Outbound International Insurance cost reporting” within 90 days of the FY 2017 ACD, including a determination of “whether a change in analytical principles is warranted.”<sup>3</sup>

*Proposal.* The Postal Service states that Proposal Six will “expand the distribution of the attributable costs for International Indemnity payments to include International Inbound Indemnity payments.” Petition, Proposal Six at 2. The proposal separates Outbound International Insurance indemnities from Inbound International Insurance indemnities, and “develop[s] separate decision rules for treating the costs relating to Outbound International indemnities and Inbound International indemnities.”

*Id.* Specifically, the Postal Service proposes for Outbound International Insurance indemnities “1) when additional insurance is not purchased, the indemnity cost will be assigned to the base parent product, and 2) when additional insurance is purchased, the indemnity cost will be assigned to the Outbound International Insurance product.”

*Id.* at 4. For Inbound International Insurance, the Postal Service proposes to split these indemnities from Outbound International indemnities and distribute the costs to their respective inbound products. *Id.* at 5-6.

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<sup>2</sup> *Id.* (citing Docket No. ACR2017, United States Postal Service *Annual Compliance Report*, December 29, 2017, at 71 (FY 2017 ACR)).

<sup>3</sup> *Id.*; see *Annual Compliance Determination Report*, Fiscal Year 2017, March 29, 2018, at 88 (FY 2017 ACD).

*Rationale and impact.* The Postal Service states that the current cost reporting requires “refinements” which “may not rise to the level of a change in analytical principles.” *Id.* at 2. It explains that the proposed methodology will correct the prior method of distributing international indemnity payments. *Id.* The Postal Service identifies the likely effects of Proposal Six on the development of the International Cost and Revenue Analysis (ICRA) report in non-public Library Reference USPS-RM2018-9/NP1. *Id.* at 2-3. The Petition indicates the proposal shifts costs from Outbound International Insurance to Inbound International Insurance, resulting in an improvement in contribution for Outbound products and a decline in contribution for Inbound products, and provides cell-by-cell differences between the proposed methodology and the data provided in the ICRA as part of the Postal Service’s annual compliance report for FY 2017. *Id.* at 2-6. The Postal Service anticipates the overall net impact would not result in a negative contribution by any product that previously had a positive contribution, but also would not result in a positive contribution by any product that currently has a negative contribution. *Id.* at 3.

### III. NOTICE AND COMMENT

The Commission establishes Docket No. RM2018-9 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission’s website at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Six no later than August 15, 2018. Pursuant to 39 U.S.C. 505, Kenneth R. Moeller is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission establishes Docket No. RM2018-9 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), filed June 26, 2018.
2. Comments by interested persons in this proceeding are due no later than August 15, 2018.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Kenneth R. Moeller to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Ruth Ann Abrams  
Acting Secretary